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ABSTRACT

This publication addresses 10 "front-burner" public policy issues in higher education for 1994 which were identified and discussed by higher education policy experts in two meetings during the fall of 1993. A single page at the beginning of the document presents all 10 issues in a format designed for easy photocopying or overhead projector presentation. This is followed by a series of two-page sections that treat each issue individually with a box presenting the issue "at a glance," a summary of significant points for discussion, and recommendations for further reading. The following issues are addressed: (1) the budget squeeze over competition for public funds; (2) continued growth in demand for oversight and accountability of institutions; (3) pressures to increase access, productivity and cost containment; (4) student-aid reforms brought on by new legislation; (5) changing research priorities with slowed federal funding; (6) race and diversity issues; (7) the national health care debate and its effect on institutions of higher education; (8) continued public scrutiny of and pressure to reform intercollegiate athletics; (9) involvement by institutions of higher education in public school reform; and (10) elimination of mandatory faculty retirement ages in 1994. (JB)

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Association of Governing Boards
of Universities and Colleges



**Ten Public Policy Issues
for Higher Education
in 1994**

**AGB PUBLIC POLICY SERIES
No. 94-1**

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From time to time, AGB commissions thoughtful perspectives on important state and federal public-policy issues affecting higher education. This series of publications is intended to inform debate and discussion, not to represent or imply endorsement by the association or its members.

AGB provides member chief executives and board chairs with complimentary copies of Public Policy Series papers; government and legislative officials also receive appropriate papers in this series. Individuals may purchase additional copies at a nominal charge by calling or writing to AGB. AGB grants permission to recipients to photocopy and distribute this paper.



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Foreword

Stewards of the integrity and welfare of our colleges and universities, the nation's 50,000 trustees, presidents, and chancellors are witnessing perhaps the highest level of governmental activity affecting higher education in memory. This is neither accidental nor coincidental. With our system of voluntary accreditation in disarray, and given the apparent inability of some institutions to regulate themselves effectively, we should not be surprised that state and federal lawmakers are taking a much closer look at higher education.

In 1994—on the basis of simple probability alone—we can expect some helpful and perhaps necessary regulation. We also can expect some dangerous knee-jerk responses to complex issues confronting the nation and its diverse system of higher education.

All of us in higher education acknowledge government's responsibility to serve and protect the public interest. Yet we also believe governing boards and their chief executives must monitor the development of new public policies to ensure laws and regulations are truly enlightened and purposeful, rather than injurious to the academy's unique mission, purposes, and place.

The first step is for governing board members to be informed about emerging public-policy issues and to discuss them with one another and their institutions' senior officers. We hope this paper encourages such discussion.

AGB convened a group of higher education policy experts in Washington, D.C., in October 1993 to consider this question: *What important national or state public-policy issues are likely to have the most powerful effects on higher education governance in 1994?* During a day of intensive discussion, the group distilled a short list from a much larger one. Then, in November, we engaged members of the AGB Board of Directors and Council of Presidents in another candid and stimulating discussion of the list.

The result: Ten front-burner issues in 1994.

Not all are new, but some are. Not all will be resolved by the end of 1994, but a few may be. And though not all affect all types of colleges and universities equally, most have serious implications for everyone. There are other important public-policy issues, to be sure.

Though the issues are numbered, the group did not list them in order of relative priority. Individual governing boards and chief executives might find it useful to place them in order of potential importance to their own institutions or systems. Several of these issues surely justify discussion at board meetings, with or without the help of a qualified analyst. Time at a board meeting also might be reserved to consider these questions:

- As a board, and with our chief executive, are we addressing and helping to shape public-policy issues affecting our institution? Should we be? If so, how can we do so effectively? In concert with other trustees and boards in our state?
- Can we reliably assess the effects of the most important of these issues on our campus or campuses? What additional information do we need to be able to explain their impact to public-policy makers?

To make this document user friendly, an "at a glance" box contains a synopsis of each issue. Discussion of each issue is limited to two sides of a page, including recommendations for further reading. In addition, the list of the ten issues on page 5 easily converts to an overhead-projector slide to aid discussion at a board meeting or retreat. AGB members have permission to photocopy this entire paper, or additional copies can be ordered for a nominal charge.

A Final Observation, Acknowledgment, and Disclaimer

In fall 1992, AGB published *Trustees and Troubled Times in Higher Education*, the report of the association's Higher Education Issues Panel. Five propositions underscored that distinguished panel's recommendations:

- Economic pressures can be expected to grow in the next generation, both domestically and internationally.
- Demographic change will continue to remake the face of the nation and the world.
- Racial and cultural tension...will continue to mount as the pressures of diversity intensify.
- Scientific advances in the next generation will dwarf the changes of the last 25 years.
- The nation's crisis of values and ethics will deepen the difficulty of creating a sense of community in a new age.

Virtually all of the public-policy issues presented in this paper are extensions of or relate to one or more of the foregoing propositions. These factors also serve to define what issues higher education will face in the future.

A special acknowledgement is due AGB director **Alan Hassenfeld**, trustee of Brown University and Bryant College, and the Hassenfeld Family Foundation. His initiative and the foundation's support makes possible the complimentary distribution of this paper to AGB's 30,000 members. We are grateful for his foresight and encouragement for more effective trustee participation in the public-policy debates yet to come.

And special thanks to **Art Hauptman**, who so ably directed this project. **Jim Harvey, Rich Novak, Dan Levin**, and several other distinguished colleagues from among those in the list below helped conceptualize and draft parts of this paper. Although the work group bears no responsibility for the final version of this document, my sincere thanks to them one and all for their advice and counsel:

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We welcome reader comments, suggestions, and criticism. If we offer a similar paper again next year, how can we make it better and more helpful?

Richard T. Ingram
President, AGB
January 1994

TEN PUBLIC POLICY ISSUES FOR HIGHER EDUCATION IN 1994

1. THE BUDGET SQUEEZE

Competition for public funds will become more acute at the federal, state, and local levels, further squeezing funding for higher education.

2. OVERSIGHT AND ACCOUNTABILITY

Public agency oversight of institutions will grow, as will demands for greater institutional accountability regarding finances, administration, and academic affairs.

3. ACCESS, PRODUCTIVITY, AND COST CONTAINMENT

State and federal policy makers will intensify their pressure on institutions to increase productivity and provide access at reasonable cost.

4. STUDENT-AID REFORMS

New student-aid legislation promises dramatic change. Direct loans, national service, and income-contingent loan repayment are on the way.

5. CHANGING PRIORITIES FOR RESEARCH

Growth in federal funds for university research will slow, and priorities may continue to shift to research supporting economic development.

6. RACE AND DIVERSITY

Institutions will be asked to do more to address societal problems, including issues concerning race and diversity.

7. THE NATIONAL HEALTH-CARE DEBATE

Every college and university will be affected by the outcome of the national debate on health-care reform.

8. INTERCOLLEGIATE ATHLETICS

Public scrutiny of intercollegiate athletics will continue, amid ongoing controversies about cost containment, gender equity, and the effects of reforms.

9. INVOLVEMENT IN PUBLIC SCHOOL REFORM

Colleges and universities will be asked to do more to advance school reform.

10. FACULTY RETIREMENT

Elimination of mandatory retirement in 1994 could affect the finances and faculty demographics of many institutions.

1. THE BUDGET SQUEEZE

Issue at a Glance

Competition for public funds will become more acute at the federal, state, and local levels, further squeezing funding for higher education.

- The five-year federal budget freeze will restrict growth in student aid, research, and other higher education programs. Declines also are possible.
- Continuing and growing competition with other state-funded activities is likely to restrict the growth in state funding for higher education.
- Financial pressures on local governments also could affect colleges and universities, especially community colleges.

College officials who expect a surge in the nation's economic growth to help solve their financial problems are likely to be disappointed. With the nation's economic recovery expected to continue in 1994, tuition growth rates at public institutions may ease and some public funding may be restored. The long-term funding prospects for higher education, however, remain less bright.

In the 1980s, every major revenue source for higher education grew in real terms after adjusting for inflation. The cessation of growth in public funding has been one of the defining characteristics of the public-policy environment for higher education thus far in the 1990s. Expect this trend to continue and perhaps get worse in 1994.

- **The five-year federal budget freeze will restrict growth in student aid, research, and other higher education programs. Declines also are possible.**

Federal budget legislation enacted in 1993 calls for a cap on the growth in overall federal funding for all programs subject to annual appropriations. Since virtually every federal higher education program (except student loans) is in this category of spending, colleges and universities will be competing with a wide variety of other interests in trying to secure additional funding. Consequently, any increase in federal budget outlays for higher education is likely to be extremely modest in 1994.

It is possible, however, that continuing pressure to reduce the budget deficit could lead to new federal tax legislation in 1994. A number of tax provisions favorable to higher education recently have been added to the tax code, including deductions for donations of appreciated property. Tax legislation in 1994 could provide an opportunity to achieve other priorities on higher education's agenda, such as the extension of employee tuition benefits and the deductibility of student-loan interest. But it is more likely that a tax debate in 1994 would stimulate discussion of revenue-raising provisions that may be unfavorable to higher education, such as how to treat unrelated business income of colleges and universities.

- **Continuing and growing competition with other state-funded activities is likely to restrict the growth in state funding for higher education.**

Higher education's share of state budgets has declined consistently since the mid 1970s. In the 1980s, this decline was masked by the growth in the economy, with the result that state funding for higher education increased in real terms. With the economic recession beginning in 1990, state funding for higher education in 1991 and 1992 fell in current dollar terms for the first time in more

than 30 years. In 1993, state funds for higher education rose slightly, but future growth is not likely to match the rates of increase registered in the 1980s. Tax-limitation initiatives or legislation in 1994 in as many as a dozen states could further restrict available funds for higher education.

In recent years, state spending for prisons and health care have greatly affected the available resources for public higher education. In addition, property-tax limitations also have forced public schools to seek funding from state revenues. This also has affected funding for higher education.

Recent developments in Michigan bear watching. Growing citizen dissatisfaction with high local property taxes led the state to outlaw such taxes as a source of support for public school districts. The governor and legislature plan to finance schools instead totally out of state revenue. If state revenues do not increase, the effect on funding for higher education could be profound.

• Financial pressures on local governments also could affect colleges and universities, especially community colleges.

Debates over local governmental fiscal problems and tax bases are likely to continue, especially since a number of services previously funded by states are being pushed down to lower levels of government. This situation may lead to increased pressure on public and private colleges and universities to make payments in lieu of taxes to their local jurisdictions. The property tax is an important revenue source for many community colleges. If debates such as the one in Michigan extend to other states, it could renew a property-tax revolt that not only would hurt funding for four-year institutions but for community colleges as well.

For more information on this issue:

Federal Budget Report for Education. An analysis issued by the Committee for Education Funding (Washington, D.C.) annually each spring after release of the president's budget.

The Economic Prospects for American Higher Education, a 1992 AGB/ACE Joint Report, by Arthur M. Hauptman, available through AGB.

The Fiscal Survey of States. A report issued each spring and each fall by the National Governors' Association and the National Association of State Budget Officers (Washington, D.C.).

2. OVERSIGHT AND ACCOUNTABILITY

Issue at a Glance

Public agency oversight of institutions will grow, as will demands for greater institutional accountability regarding finances, administration, and academic affairs.

- Increased skepticism about accreditation as the primary self-regulatory mechanism for colleges and universities as well as considerable turmoil in regional and national accrediting bodies will lead to much change in 1994.
- Federal law establishes new state agencies with authority to review the finances, administration, and academic programs of institutions with high student-loan default rates or on the basis of other criteria.
- The federal government will become more directly involved in the review of institutions, particularly in the area of financial and administrative capacity.

The confluence of these developments carries profound implications for college officials: States, with federal encouragement, are likely to be more aggressive overseers of campus activities in 1994. At the same time, with the practice and concept of accreditation in jeopardy, college officials may lose valuable allies in maintaining the tradition of self-regulation in higher education.

Higher education traditionally has enjoyed great independence from governmental regulation and intrusion into academic matters. This autonomy grew largely out of respect for the value of academic freedom. This traditional freedom, however, is in jeopardy in the coming decade. Rocked by a series of widely reported abuses—in student aid, compensation for chief executives, research activities, and intercollegiate athletics, for example—higher education can expect to experience greater scrutiny from public officials in 1994.

• Increased skepticism about accreditation as the primary self-regulatory mechanism for colleges and universities as well as considerable turmoil in regional and national accrediting bodies will lead to much change in 1994.

High student-loan default rates and other indices of poor quality led Congress in 1992 to seek greater oversight of the accreditation process. Regulations from this legislation will be put in place in 1994, with the likely result that accrediting agencies will have less flexibility in how they conduct their reviews. In addition, the Council on Postsecondary Accreditation (COPA), the umbrella organization for more than 50 regional, national, and specialized accrediting bodies, voted itself out of existence in 1993. Much of 1994 will be consumed in discussions about what structure should replace COPA, which many inside and outside of higher education regarded as ineffectual. Whether accreditation should continue to be a condition of institutional eligibility for federal student-aid programs also may be reassessed.

• Federal law establishes new state agencies with authority to review the finances, administration, and academic programs of institutions with high student-loan default rates or on the basis of other criteria.

Dissatisfaction with the accreditation process, and with federal quality-control efforts more generally, led Congress in 1992 to create State Postsecondary Review Entities (SPREs) to provide greater assurance of the quality of institutions participating in federal student-aid programs. Under these provisions, which were enacted largely in response to widespread abuses in the student-loan programs, the SPREs will receive funds from the federal government to review institutions with

problems administering the programs. The law specifies more than a dozen different criteria by which institutions may be identified for more extensive review. These include default rates in excess of 25 percent, a persistent pattern of student complaints, late audit reports, and running deficits for two consecutive years.

Many college officials view the SPRE regulations, which like the new regulations governing accreditation are scheduled to be issued in 1994, as a serious threat to their academic independence. Although some of the concerns about SPREs relate to the language of the law itself, the Department of Education's proposed regulations are a source of apprehension to many higher education officials, who fear that their institution may be subjected to state agency reviews of their academic programs.

- **The federal government will become more directly involved in the review of institutions, particularly in the area of financial and administrative capacity.**

The 1992 legislation also expanded the federal government's role in determining the eligibility of institutions to participate in federal student-aid programs. Although defaults occur disproportionately among borrowers who attend for-profit trade schools, the 1992 legislation requires the secretary of education to develop a single application form for all institutions that wish to participate in student-aid programs. It also requires the secretary to establish uniform standards of financial responsibility. The secretary also may develop standards of capacity to administer the programs and may require financial guarantees from some school owners to participate. The regulations governing these provisions also are scheduled to be issued in 1994. Many college officials have expressed concern that the legislation and the regulations must adequately distinguish the situations of for-profit and not-for-profit institutions. This is likely to be a major source of debate in 1994.

For more information on this issue:

"Restoring the Credibility of Accreditation," by Ralph A. Wolff, in *Trusteeship*, November/December 1993.

"The Clinton Administration Takes Charge: What Next for Higher Education?" by Terry Hartle, in *Educational Record*, Fall 1993.

"A Tattered Umbrella," by E.K. Fretwell, Jr., in *Trusteeship*, July/August 1993.

3. ACCESS, PRODUCTIVITY, AND COST CONTAINMENT

Issue at a Glance

State and federal policy makers will intensify their pressure on institutions to increase productivity and provide access at reasonable cost.

- Federal and state governments will pressure institutions to improve their productivity and performance by relying more on outcome measures.
- Legislators and the public will resist institutional efforts to "downsize" in order to live within limited resources if these efforts restrict access to higher education.
- If tuition and cost increases do not moderate, federal or state cost-containment measures will become increasingly likely.

More than a decade of rapid tuition increases at public and independent institutions have led the public to worry that a college education soon will be priced beyond the reach of all but the wealthy. Escalating increases in how much colleges spend and what they spend it on will intensify calls for greater productivity from institutions to justify continued support.

Recent public opinion polls leave no doubt on two scores:

1. Prospective college students and their parents as well as the general public believe a college degree is just as important to a young person today as a high school diploma was a generation ago.
2. The public is worried that college will not be affordable in the future.

The high rate of tuition growth and a variety of stories in the media have angered the public into believing many colleges have been greedy. Questions concerning college graduation rates and faculty work loads have led to calls for greater productivity.

• Federal and state governments will pressure institutions to improve their productivity and performance by relying more on outcome measures.

Higher education traditionally has associated high quality with the amount of resources it was able to raise and spend. But there are other definitions of quality—meeting the needs of "customers" and demonstrating that learning or "added value" has occurred, for example. In the past, an institution that maintained high enrollment growth rates was considered productive. Quality occurred by adding prestigious research and graduate programs. Today, policy makers are placing more emphasis on student learning as the paramount measure of productivity because the skills of our graduates will be the source of our prosperity in the future.

Policy makers are seeking to improve productivity and quality by looking to measures of certain "outcomes" as indicators of institutional performance. Federal legislation soon will require institutions to publish graduation rates, and in 1994 the Department of Education will prepare regulations to implement this legislation. It would not be surprising if the Congress decided to add other performance indicators in the near future.

State policy makers are talking more and more about using outcome measures to determine how they fund public institutions. So far, only a handful of states actually use such measures as graduation rates in their funding formulas. But as many as a dozen states may debate this concept

in their legislative sessions in 1994. State public-policy makers also are expected to attempt to shift enrollment to lower cost institutions, to stipulate interinstitutional solutions when investing in technology, and to push for elimination of curricular duplication across systems. Governance changes and deregulation also will be on the agenda in a number of states as cost-cutting solutions.

• **Legislators and the public will resist institutional efforts to "downsize" in order to live within limited resources if these efforts restrict access to higher education.**

Growing expectations about what higher education can provide, coupled with several years of tight budgets, will lead more institutions in the public sector to cap their enrollments in 1994. But cutting back on access while continuing to increase tuition is likely to create a public backlash if past experience with downsizing strategies is any guide. The public wants institutions to do "more with less." Higher education's challenge is not fundamentally different from the challenge facing much of American business: how to build a better product at a lower cost.

• **If tuition and cost increases do not moderate, federal or state cost-containment measures will become increasingly likely.**

Although the reasons for many cost increases are legitimate and often beyond the control of college officials, continued high growth of college tuition and other charges could lead to renewed calls for cost containment in higher education. The health-care industry provides a suitable parallel. In fact, cost containment could become part of the Clinton administration's legislative package of additional student-aid reforms in 1994. At the state level, legislators will resist further high tuition increases and will continue to limit the growth of state operating funds for public colleges and universities.

For more information on this issue:

State Policy and Productivity in Higher Education, by James R. Mingle. State Higher Education Executive Officers, Denver, 1992.

The Tuition Dilemma—State Policies and Practices for Pricing Public Higher Education, by Charles S. Lenth. State Higher Education Executive Officers, Denver, 1993.

The Closing Gateway: Californians Consider their Higher Education System, by John Immerwahr and Steve Farkas. A Report by the Public Agenda Foundation for the California Higher Education Policy Center. September 1993.

"The Outlook for Higher Education in the 50 State Legislatures This Year," in the *Chronicle of Higher Education*, January 5, 1994, page A26.

4. STUDENT-AID REFORMS

Issue at a Glance

New student-aid legislation promises dramatic change. Direct loans, national service, and income-contingent loan repayment are on the way.

- More than 100 colleges, universities, and trade schools will begin making federal loans directly to students in 1994.
- Legislation enacted in 1993 also provides future student borrowers with various repayment options, including income-contingent repayment. The Internal Revenue Service may become involved in collections.
- President Clinton's national-service program begins in 1994 and will have many implications for colleges and universities.
- In 1994, the Clinton Administration also will consider whether to recommend additional changes to make student aid more cost effective.

Legislation enacted in 1993 will transform the federal student-loan programs and establish a new program of national service. Every institution quickly needs to prepare to deal with the effects of these changes. Moreover, in 1994 the Clinton Administration will consider further modifications in student-aid programs to make them more efficient and cost-effective.

Student-loan reform, enacted in 1993 as part of the much broader federal deficit-reduction package, contains the most far-reaching changes since the programs were enacted. Student-loan financing will shift over the next five years from the traditional reliance on privately financed loans (in which the government guarantees private loan holders against the risk of default) to a direct-loan program in which the federal government itself provides loan capital. A national-service program in which individuals can earn educational benefits (or have student loans forgiven) by completing designated forms of national and community service, also was enacted in 1993.

- **More than 100 colleges, universities, and trade schools will begin making federal loans directly to students in 1994.**

More than 100 colleges and universities were selected in November 1993 (from more than 1,000 applicants) to participate in the first year of the program, 1994-95, when direct loans will represent 5 percent of all federal student-loan volume. More than 1,000 schools will be selected in spring 1994 to act as direct lenders for the 1995-96 academic year when direct loans will rise to 40 percent of all lending. As a result of this timetable, second-year institutional participants will be selected before the first year of operation of the new direct-loan program actually begins. This may complicate institutional decision making about whether to apply.

- **Legislation enacted in 1993 also provides future student borrowers with various repayment options, including income-contingent repayment. The Internal Revenue Service may become involved in collections.**

The 1993 student-loan reform legislation also sets out a conceptual framework for allowing borrowers to repay their loans in a variety of ways, including on the basis of their income. In 1994, the administration will issue regulations so that borrowers may begin to use these repayment options. The administration also will prepare a report on how the Internal Revenue Service might

be involved in the servicing and collection of student loans in the future. This report will be issued in spring 1994 and should stimulate considerable debate on how student loans will be repaid in the future.

Policy makers also will consider the growth in usage of student loans in determining how loans are repaid in the future. Loan limits have been increased substantially, allowing parents to borrow up to the full costs of attendance through the parent loan program (PLUS), and a new unsubsidized loan program for dependent undergraduate students has been created. Students or their parents will be responsible for payment of interest on these loans while in school.

• President Clinton's national service program begins in 1994 and will have many implications for colleges and universities.

A tight federal budget and political opposition to replacing existing student-aid programs with mandatory national or community service led to enactment in 1993 of a much scaled-back program in which 100,000 service positions will be funded over the next five years. Students will be eligible to participate in national service before they enroll in college, and the loans for student borrowers who participate after they graduate will be forgiven. Colleges and universities will be expected to administer much of the program.

• In 1994, the Clinton Administration also will consider whether to recommend additional changes to make student aid more cost effective.

Implementation of the provisions of the 1992 and 1993 legislation will result in more than two dozen sets of regulations. But this legislation and subsequent regulations leave largely untouched many of the underlying problems with the student-aid programs that led to the national service and student-loan reform legislation. Among the issues the Clinton Administration may consider in fashioning a second reform package are (1) whether to cap total federal student aid; (2) whether to modify the Pell Grant program; and (3) whether the federal government should expect students and institutions to demonstrate higher standards to retain eligibility for federal student aid. Because of the many problems associated with lending money to trade-school students, the administration also may consider whether to recommend alternatives to loans that would reduce the default problems of these students.

For more information on this issue:

"A Guide to National Service and Student-Loan Reform," by Arthur M. Hauptman, in *Trusteeship*, May/June 1993.

"Direct Loans: An Assessment of the Clinton Administrations Proposals and Some Suggestions for Improvement," by Arthur M. Hauptman, AGB Public Policy Series No. 93-1.

"Get With the Program," by Senator Paul Simon, in *Trusteeship*, January/February 1994.

5. CHANGING PRIORITIES FOR RESEARCH

Issue at a Glance

Growth in federal funds for university research will slow, and priorities may continue to shift to research supporting economic development.

- Federal spending caps could constrain the historical growth in university-based research.
- Policy makers will demand greater and more immediate "results" from university research supported with federal dollars.
- The media and policy makers will continue to scrutinize research management, possibly further threatening future research funding.

Federal support for university-based research remains strong, although overall federal budget constraints threaten future growth in funding. Policy makers and the media remain somewhat schizophrenic in their approach to government-funded academic research. The increasing demand is for practical applications and "results"—the rapid transmission of research results to the scientific and technical marketplace—as the price of federal investment. Pressure also is mounting for academic institutions and individuals who perform sponsored research to be held strictly accountable for the expenditure of public funds.

Despite the common view that the government inadequately supported higher education in the 1980s, the federal investment in academic research and development grew at robust average annual real rate of more than 4 percent per year. In the 1990s, however, growth has slowed considerably, and new efforts to contain the budget deficit dim prospects for substantial increases in university-based research. Controversies over indirect-cost recovery and other research-related issues could further constrain the growth in federal support of research. Moreover, there is growing pressure to focus on applied research. In sum, funding is likely to be tightly controlled, oversight sharply focused, and demands for a demonstrable payback on the federal investment more persistent.

- **Federal spending caps could constrain the historical growth in university-based research.**

To achieve mandated spending targets for the next five years, the 1993 deficit-reduction legislation further squeezes the limited flexibility of congressional appropriations committees in choosing among many important domestic programs. Federal budget problems will exacerbate—and make more explicit—competition between programs of particular interest to colleges and universities, such as student financial aid and research. The budget squeeze also will increase the competition among higher education and other programs, including those supporting elementary and secondary education and health care. If the 1994 congressional session sees further deficit-reduction efforts beyond the 1993-1998 spending caps, lawmakers may view university research as a prime target for the budget ax.

- **Policy makers will demand greater and more immediate "results" from university research supported with federal dollars.**

Federally supported university research traditionally has been earmarked for fundamental research—that is, research designed to build a base of new scientific and technical knowledge. Recent intensification of international economic competitiveness, the continuing revolution in our ability to transmit and communicate knowledge rapidly across national boundaries, and the sea-

change in international geopolitics resulting from the demise of the Soviet Union have prompted policy makers and researchers to reconsider the purposes and directions of federal research support.

Although a strong base of support for creating and transmitting new knowledge within the university community still exists, an increasing proportion of any incremental funding for research in 1994 is likely to be directed toward practical research, to make federal funds for university research more applicable to the national goals of economic growth and international competitiveness.

Several recent developments suggest a trend toward more results-oriented research will continue: 1. Two major new federal technology-development initiatives—one in the Commerce Department, the other in the Defense Department—are directed principally at industry rather than university research grantees. 2. Funding for the superconducting supercollider, an ambitious university-based research program, was eliminated in 1993, although its defeat might not indicate lessened future support for science more generally. 3. The Senate Appropriations Committee directed the National Science Foundation to ensure that at least 60 percent of its research program is earmarked for strategic rather than "curiosity driven" activities.

• **The media and policy makers will continue to scrutinize research management, possibly further threatening future research funding.**

University-based research has been rocked by a number of controversies. Most prominent were revelations that some universities had included certain questionable expenditures as part of the indirect cost of conducting research. This practice and other research-related issues, such as scientific misconduct and conflict of interest, have called into question the stewardship of federal funds by college administrators and faculty and have been used to justify attempts to cut funding for research. Congress will further examine these issues in 1994, and changes in the method of indirect-cost recovery and conflict-of-interest rules are possible. There also may be additional hearings in 1994 on the use of earmarked funding for science facilities at some campuses.

For more information on this issue:

Trends in the Structure of Federal Science Support, Federal Coordinating Council for Science, Engineering, and Technology. December 1992.

Science, Technology, and the Federal Government: National Goals for a New Era. National Academy of Sciences, 1993.

Renewing the Promise: Research-Intensive Universities and the Nation, President's Council of Advisors on Science and Technology. December 1992.

6. RACE AND DIVERSITY

Issue at a Glance

Institutions will be asked to do more to address societal problems, including issues concerning race and diversity.

- Colleges and universities will continue to be called on to mobilize faculty talents and other institutional resources to address major social issues in the service of their communities.
- The Department of Education can be expected to end the confusion surrounding race-based scholarships in 1994.
- Academic leaders must be prepared for more controversies on campus concerning racial incidents, sexual harassment, and free speech.
- College and university desegregation will be the subject of additional court rulings in 1994.

Colleges and universities should expect to be called upon increasingly to address intractable societal problems, many of which are being played out on college campuses. Racial incidents now are joined in the public mind with highly publicized issues involving speech codes, sex equity, and life-style issues and often are entangled in controversies of "political correctness." These concerns are not likely to go away in 1994.

The future of colleges and universities, especially those in urban centers, are very much linked to the health and vitality of their surrounding communities. Though higher education leaders recognize their moral and ethical responsibility to help address societal problems, progress often is limited or difficult to discern. This is especially true with regard to issues of race and diversity. The proportion of students from many minority groups who enroll and complete college has failed to improve. Civil-rights advocates charge that academic institutions urgently need to do more to address the special needs of minority students in admissions, counseling, and support services. Court cases in Mississippi and Louisiana provide insights into desegregation issues in other states. The demographics make the message clear for colleges and universities: Diversify or shrink.

• Colleges and universities will continue to be called on to mobilize faculty talents and other institutional resources to address major social issues in the service of their communities.

Political leaders are likely to expect the academic community to redouble its public-service initiatives. K-12 reform, homelessness, crime, drug abuse, and economic development are among the issues that will challenge a strict interpretation of the missions and purposes of some institutions. Greater collaboration and resource sharing among public and independent institutions to address the social problems of their communities will be necessary. Recent national reports, such as AGB's *Trustees & Troubled Times in Higher Education* and the Wingspread Group's *An American Imperative*, ensure that higher education's role in society will be debated in 1994.

• The Department of Education can be expected to end the confusion surrounding race-based scholarships in 1994.

Although the Bush Administration called into question the use of race-based scholarships, the Clinton Administration believes such scholarships are valuable tools for "providing equal opportunity and...enhancing a diverse educational environment for the benefit of all students." A 1994 General Accounting Office study indicates that nearly two of three colleges and universities offer

minority-targeted scholarships. These account for 5 percent of the awards and 4 percent of all scholarship dollars for undergraduates. In professional schools, such as law and medicine, approximately 10 percent of scholarship funds are set aside for minorities, according to the GAO. Armed with this report, the Department of Education is expected to move quickly to confirm the right of institutions to award race-based scholarships.

• Academic leaders must be prepared for more controversies on campus concerning racial incidents, sexual harassment, and free speech.

Racially and sexually charged campus incidents, in some cases intertwined with speech codes and issues involving free speech and freedom of the press, will continue to receive intensive media attention in 1994. Consequently, campus leaders will be forced to address the conflicting concerns of aggrieved individuals in a highly public manner. As colleges and universities become more diverse, it is inevitable, in the short term, that these incidents will continue.

A student backlash against campus speech codes, reinforced by public-interest groups and a series of court decisions upholding free-speech rights, have forced some campuses to rescind or recast speech and harassment regulations. Further, judicial codes on some campuses may come under court scrutiny in 1994 as individuals facing sexual harassment or other charges seek the due-process protections afforded by the criminal-justice system.

• College and university desegregation will be the subject of additional court rulings in 1994.

Desegregation plans in Mississippi and Louisiana offer examples of the problems state systems face in achieving racial integration. Although plans in both states sought to improve access for minority students and to equalize resource allocation among institutions, they would have done so at the expense of the identity of the historically black institutions. The Department of Justice, as an alternative to the state plan in Mississippi, has recommended shifting professional school programs from traditional white institutions to Jackson State, a historically black institution. The federal courts are likely to decide the Mississippi case in 1994, and this decision could affect how other states apply desegregation principles.

For more information on this issue:

Trustees & Troubled Times in Higher Education, the Report of the AGB Higher Education Issues Panel, 1992.

Minorities on Campus: A Handbook for Enhancing Diversity, American Council on Education, 1989.

"The New Demography," by Harold L. Hodgkinson, in *Governing Public Colleges and Universities*, Richard T. Ingram, editor, AGB and Jossey-Bass, 1993.

An American Imperative: Higher Expectations for Higher Education. Report of the Wingspread Group on Higher Education, 1993.

7. THE NATIONAL HEALTH-CARE DEBATE

Issue at a Glance

Every college and university will be affected by the outcome of the national debate on health-care reform.

- Institutions as employers could face massive change in existing arrangements for purchasing health care for their employees.
- Institutions with academic health centers may be asked to change the way they educate health professionals, conduct medical research, and deliver care.
- University hospitals will experience extensive changes in how they are reimbursed for expenses.

The health-care debate will be the primary domestic focus of Congress in 1994. Every member of the academic community will be affected as consumers and as purchasers. Institutions will feel the effects as employers, as providers of health-care services and research, and as educators of health-care personnel. The debate over health-care reform is likely to be long and bruising, and its final outcome far from certain.

Comprehensive changes in the American health-care system will be hotly debated in 1994. The debate must address two fundamental issues: providing access to health care for more than 35 million uninsured Americans and controlling the rapidly escalating costs of health care. With more than a dozen legislative approaches before Congress, consensus does not now exist on how best to address these concerns. But it is clear the outcome of the debate will directly affect colleges and universities in a number of ways. College officials should keep in mind that controlling the costs of health care could have a positive effect on federal and state funding for higher education. In addition, they should monitor developments at the state level as debate unfolds around various health-care proposals.

Academic leaders need to participate in this debate to ensure that (1) their own costs as employers are controlled, (2) their employees are served, and (3) vital university programs in health care, medical research, and education are not shortchanged.

• Institutions as employers could face massive change in existing arrangements for purchasing health care for their employees.

During the last decade, expenditures for health care for faculty and staff have grown faster than most other spending categories at virtually every college and university. This growth in the cost of employee health insurance has limited funds available for employee salaries, facilities enhancement, and other important priorities.

Each college and university should consider the specific effects of the various alternative plans under congressional consideration on its existing arrangements for purchasing health care. In monitoring the debate, specific provisions to watch include mandated standard health-benefits packages and employer insurance premiums, premium caps, payroll taxes, taxes on corporate health-care alliances, and the tax status of excess premiums and cafeteria plans. Coverage for part-time employees is a critical part of the debate, as well. College officials also should monitor developments in state-based plans such as Tennessee's TennCare, which may serve as a model for future employer coverage.

• Institutions with academic health centers may be asked to change the way they educate health professionals, conduct medical research, and deliver care.

The health-care reform debate will have a disproportionate impact on academic institutions whose missions include the education of physicians, nurses, dentists, and other health professionals. Several of the plans under consideration emphasize the training of primary care providers, rather than specialists, and allocate physician residency slots and federal payment for residency training accordingly. Adoption of this approach would accelerate current efforts to reduce the differential between federal payments for training specialists and primary care providers. Many other aspects of how health-care personnel are educated also will be subject to debate and change.

Without new funds, reform efforts aimed at health services, prevention, and behavioral research could offset current investment patterns in basic and applied biomedical research. The creation of regional alliances and multiple health plans, as called for in the Clinton proposal, could affect the way many academic health centers are organized and provide health-care services.

• University hospitals will experience extensive changes in how they are reimbursed for expenses.

Current Medicare provisions supplement base payments for medical services to compensate teaching hospitals for their greater costs and intensity of service provided to patients. The administration's health-care plan would replace this "indirect medical-education adjustment" with a pool of funds to provide for specialized patient care, the extra costs associated with medical education, and the development of medical technology. This pool would be created from the Medicare indirect medical-education adjustment and from a surcharge on corporate health-care alliances.

It is unclear at this point precisely how funding of individual teaching hospitals would fare under alternative plans, although insurance coverage for presently uninsured patients should alleviate some of the financial pressure such hospitals now experience from providing uncompensated care for the medically indigent. In this regard, it is reasonable to assume that the health-care reform debate will have a tremendous impact on the Medicaid system.

For more information on this issue:

"Health Plan Would Affect Institutions," by Sheldon Steinbach, in *Higher Education and National Affairs*, October 4, 1993.

"Health Care's Hour," a *Congressional Quarterly Special Report*, September 25, 1993.

Testimony of Cornelius J. Pings, president of the Association of American Universities, before the House Ways and Means Committee, November 19, 1993.

"Health Systems Reform and Academic Health Centers," Association of Academic Health Centers, 1992.

8. INTERCOLLEGIATE ATHLETICS

Issue at a Glance

Public scrutiny of intercollegiate athletics will continue, amid ongoing controversies about cost containment, gender equity, and the effects of reforms.

- Despite widespread public support for change, efforts to roll back recent reforms will continue.
- Efforts at cost containment will continue as expenses outpace revenues at every level of competition.
- Demand for greater say and participation by underrepresented groups will intensify and move increasingly into the public-policy arena.

Athletic scandals create huge problems for higher education, and despite recent reform efforts, concerns about the integrity of college sports refuse to go away. Major debates about standards for athletics participation and institutional reform and control of athletics will continue in 1994, and governing boards and presidents have a great deal riding on the outcome. Resolution of the debates will affect public perceptions of higher education, graduation rates of athletes, and institutional control of intercollegiate athletics.

Despite passage of higher academic standards for athletes, formation of the NCAA Presidents Commission, the Knight Commission's work, and other reform initiatives, concerns about the integrity of college athletics continue. Boards must be aware of the negative image created by athletic scandals and the highly visible incongruity between lofty academic pursuits and quasi-professional commercialism in the minds of the public.

A March 1993 survey prepared for the Knight Commission shows more than half of the public continues to believe college sports are out of control. When the survey asked a select number of presidents, trustees, faculty, and athletic administrators about the role of trustees in college sports, the trustees received low marks from all groups. The survey results suggest trustees have been far too lax in moving forward on excesses in sports and in backing their presidents sufficiently in their efforts to achieve reform and take back control.

- **Despite widespread public support for change, efforts to roll back recent reforms will continue.**

As an athletics-reform agenda has progressed over the last ten years, it has often been at loggerheads with the various athletics-related constituencies—coaches, athletics directors, athletics conferences, affiliated athletics associations, sometimes even presidents and trustees—and it has often been clouded by interdivisional rivalry and suspicion. These differences reappeared in the 1994 NCAA Convention as a continuing set of reforms and a rollback of others were debated.

- **Efforts at cost containment will continue as expenses outpace revenues at every level of competition.**

Several cost-reduction proposals were approved at the 1994 NCAA Convention. Among them: reductions in recruiting contacts and the length of the recruiting season and a joint resolution from the Presidents' Commission and NCAA Council regarding need-based financial aid for all college expenses beyond tuition for Division I and II athletes. The resolution calls for a study on need-based aid to be reviewed at the 1995 meeting. This could lead to substantial cost savings, with no impact on participation or level of competition. Opposition from athletics interests will be strong.

Public colleges in states that subsidize collegiate athletics can expect subsidies to diminish or cease altogether if the higher education budget situation remains tight in 1994. Illinois was the latest state to call for a phase-out of direct state appropriations. There may be greater external scrutiny of athletics operating budgets. Institutions also may face greater reluctance from students to pay increased student fees for athletics, especially if the increases exceed the rate of tuition growth.

• Demand for greater say and participation by underrepresented groups will intensify and move increasingly into the public-policy arena.

Since the passage of Title IX in 1972, colleges and universities receiving federal funds have had to comply with the law prohibiting gender discrimination in intercollegiate athletics. Over the years, Title IX enforcement has been sporadic and uneven. Renewed pressure to comply will be a major issue for many colleges and universities as women athletes and coaches pursue litigation to force institutions to create new programs for women and restore others eliminated due to budget cuts. An increase in investigations by the Office of Civil Rights could occur in 1994. Cases involving issues of equitable salaries and working conditions for coaches will continue to work their way through the courts in 1994.

Black coaches are upset with the college sports establishment and have threatened boycotts to protest earlier NCAA cost-containment and reform efforts. Among other complaints, black coaches say stricter academic standards for athletes will have a disproportionate impact on minority athletes, and a reduction in the total number of scholarship athletes in basketball will eliminate 600 grants-in-aid, many for minority athletes. A unique alliance has been formed between the Congressional Black Caucus and the Black Coaches Association (BCA) to study issues and reach consensus on possible action, including legislation. Delegates to the 1994 NCAA Convention, with the full support of the Presidents Commission, refused to restore the full number of basketball scholarships but did agree to reexamine stiffer initial eligibility standards and their impact on minority athletes scheduled to take effect in 1995. The Department of Justice is mediating negotiations between the BCA and the NCAA. It also is likely that congressional hearings will be held on these issues in 1994.

For more information on this issue:

"Achieving Integrity in Intercollegiate Athletics," by Wilford S. Bailey, AGB Occasional Paper No. 12, 1992.

"Issues of Athletics Certification for NCAA Division I Members," by Maureen E. Devlin, AGB Occasional Paper No. 16, 1993.

"Title IX in Intercollegiate Athletics: Litigation Risks Facing Colleges and Universities," by Bill Kramer, AGB Public Policy Paper No. 93-2, 1993.

"A Race Without a Finish Line," by William C. Friday and Theodore M. Hesburgh, CSC, in *Trusteeship*, July/August 1993.

9. INVOLVEMENT IN PUBLIC SCHOOL REFORM

Issue at a Glance

Colleges and universities will be asked to do more to advance school reform.

- Congress in 1994 will enact important reforms in K-12 education that depend heavily on the involvement of higher education.
- States will engage higher education more in school reform, particularly in the development of current and future teachers.
- Higher education increasingly will be called on to align its admissions and academic practices with the products of newly reformed schools.

Two major pieces of federal legislation affecting elementary and secondary education will be enacted in 1994. Each will require greater involvement of colleges and universities in improving K-12 education. Activities in a number of states also will bring higher education more into the orbit of school reform, most prominently in the area of the professional development of teachers. And many colleges and universities will have to adjust their admissions and academic policies to deal with the realities of school reform.

Since the release of *A Nation at Risk* in 1983, a great deal of energy has been poured into the effort to improve the nation's public schools. Governors and business leaders have been especially active in this effort, working with reform-minded leaders. While many colleges and universities have been enthusiastic participants in "partnership" programs with nearby schools, higher education as a whole has not been a major player in either the design or the implementation of large-scale school-reform initiatives. In fact, some critics accuse colleges and universities of "sitting on the sidelines" in this national effort. In 1994, new federal and state policies will encourage higher education to be more helpful.

• Congress in 1994 will enact important reforms in K-12 education that depend heavily on the involvement of higher education.

Two important pieces of federal legislation involving elementary and secondary education are likely to be enacted in 1994. One is the reauthorization of the Elementary and Secondary Education Act of 1965, which provides billions of dollars of aid to state and local school districts. Although the principal focus of this debate will be the extent to which federal aid is targeted to poor school districts and individual schools, the legislation also will entail greater involvement of colleges in carrying out many of its provisions.

The other major federal legislation in this area is the Goals 2000: Educate America Act, which passed the House of Representatives in 1993 and will be debated in the Senate early in 1994. This legislation would allow the federal government to take concrete steps to achieve the six national education goals agreed to at the Education Summit in 1989. It also will enshrine in federal law an approach to school improvement known as standards-based systemic reform. This approach, aggressively promoted by governors and business leaders, has five key elements: standards, assessment, deregulation, professional development of teachers and administrators, and new accountability systems emphasizing rewards and penalties based on school performance. Faculty members at many institutions will be key to the implementation of this legislation.

- **States will engage higher education more in school reform, particularly in the development of current and future teachers.**

There is considerable evidence that large numbers of teachers currently working in elementary and secondary schools do not themselves meet the new standards being established for 17-year-olds. If they are to succeed in enabling students to reach new standards, teachers will need to deepen their own knowledge of the subjects they teach. State policy makers in 1994 are likely to increase the pressure on colleges and universities and their schools of education to provide this instruction—and on a very large scale.

Future teachers will need to be educated to much higher levels in the disciplines they teach. Moreover, the continued diversification of the student population, coupled with the new expectation from policy leaders that all students should meet the standards, means that future teachers will need to master a much wider array of teaching strategies.

- **Higher education increasingly will be called on to align its admissions and academic practices with the products of newly reformed schools.**

As secondary education moves away from the much-maligned Carnegie unit or "seat time" approach to high school graduation, colleges and universities will be pressed to change admissions criteria to reflect the new outcomes approach. Already, there is pressure from schools that are moving ahead with these reforms to substitute portfolios of student work for the old transcripts of courses and grades. There also may be pressure to replace tests, such as the SAT and ACT, with the more performance-oriented tests that states are developing to measure what students actually know and can do—whether, in effect, these students meet the state standards.

Many activists in elementary and secondary education believe that unless higher education throws its weight behind the new standards—including denying admission to students who do not meet them—students will have no incentive to work hard in school, and the standards effort will crumble. The passage of the federal legislation in 1994 will greatly raise the visibility of admission and academic practices.

For more information on this issue:

New Frontiers for Lifelong Learning: Achieving the National Education Goals. National Governors Association, 1992.

Raising Standards for American Education. National Council on Education Standards and Testing, 1992.

"A View From the Bridge," by Thomas Sobol, in *Trusteeship*, November/December 1993.

10. FACULTY RETIREMENT

Issue at a Glance

Elimination of mandatory retirement in 1994 could affect the finances and faculty demographics of many institutions.

- A congressionally mandated analysis indicates that most faculty are unlikely to work past the age of 70.
- The end of mandatory retirement could lead some institutions to reexamine tenure policies and early retirement plans.
- New legislation may be needed in 1994 to permit institutions to adopt policies that mitigate the effects of eliminating mandatory retirement.

The exemption from age-discrimination legislation that has allowed colleges and universities to maintain mandatory retirement rules expired on January 1, 1994. This issue clearly requires the close attention of presidents, trustees, and faculty. The stakes on campus are high, touching on tenure policy, personnel costs, and colleges' flexibility to hire younger faculty, women, and members of minority groups.

For many years, colleges and universities have ensured the timely retirement of their faculty by establishing a mandatory retirement age, typically age 65. The 1977 amendments to the Age Discrimination in Employment Act raised the permissible mandatory retirement age to 70, effective in 1982. In 1986, Congress eliminated mandatory retirement for most organizations, but provided a temporary extension for tenured college faculty until January 1, 1994. That exemption has not been extended. College officials need to consider the possible impact of the end of mandatory retirement in 1994 in terms of hiring, promotion, and tenure policies as well as early retirement and other faculty benefits.

- **A congressionally mandated analysis indicates that most faculty are unlikely to work past age 70.**

In conjunction with the temporary extension of mandatory retirement for tenured college faculty in 1986, Congress requested that the National Academy of Sciences (NAS) conduct a study to examine the possible consequences of eliminating mandatory retirement rules. The study explored concerns that faculty might defer retirement; that salary costs might increase; that opportunities for younger faculty, minorities, and women might decrease; and that tenure policies would have to be revised to allow for the dismissal of faculty who had not retired despite diminished abilities.

The NAS panel found that at most institutions "few faculty would continue working past age 70" regardless of the elimination of mandatory retirement. This conclusion reflected the fact that the average retirement age is 66, despite legislative extension of the mandatory retirement age. Consequently, the panel found "no strong basis for continuing the exemption for tenured faculty." The panel did conclude, however, that at some research universities "a high proportion of faculty would choose to work past age 70" because of still-active research careers, light teaching loads, and pension plans that tended to reward later retirements.

- **The end of mandatory retirement could lead some institutions to reexamine tenure policies and early retirement plans.**

Although the NAS study recommended against continuing the exemption, it also recognized that colleges and universities needed to address some of the potential consequences of eliminating mandatory retirement for tenured faculty. The practice of granting tenure has worked in part because it has been coupled with predictable patterns of retirement. With the end of mandatory retirement, such patterns become less predictable, and this could force many institutions to review their tenure policies and practices. Boards need to ensure that policies regarding faculty review and tenure are working effectively and that procedures are in place to encourage or, where necessary, require the departure of demonstrably incompetent faculty.

Institutions also should consider other relatively low-cost measures to ameliorate the effects of ending mandatory retirement, including making faculty retirement more attractive through the greater use of phased-in retirement schedules that couple reduced work loads with reduced compensation.

- **New legislation may be needed to permit institutions to adopt policies that mitigate the effects of eliminating mandatory retirement.**

It is unclear whether voluntary early retirement incentives are allowed under existing statutes and guidelines. Because age-based incentives are unlawful and because of various tax-code and labor-law requirements, many existing early retirement incentive plans require review with regard to costs and applicability. The permissibility of such plans needs to be clarified through additional federal legislative or regulatory action if adverse effects of uncapping the mandatory retirement age are to be minimized. Further legislation, therefore, may be introduced in 1994 to permit institutions to adopt voluntary early retirement incentives that mitigate the effects of eliminating mandatory retirement on higher education institutions.

For more information on this issue:

Ending Mandatory Retirement for Tenured Faculty: The Consequences for Higher Education, National Research Council, National Academy Press, 1991.

The End of Mandatory Retirement: Effects on Higher Education, by K.C. Holden and W.L. Hansen, editors, Jossey-Bass, 1989.

"The Ending of Mandatory Retirement for Faculty: Issues to Consider," in *Benefit Plan Counselor: Special Report*, TIAA-CREF, April 1993.

Dismissal of Tenured Higher Education Faculty: Legal Implications of the Elimination of Mandatory Retirement, by Morris Arval, National Organization on Legal Problems of Education, 1992.

ABOUT AGB

The Association of Governing Boards of Universities and Colleges is a national nonprofit organization of governing, coordinating, and advisory boards of higher education. AGB's membership comprises more than 1,000 boards that oversee nearly 1,700 campuses. More than 30,000 trustees and chief executives are members of AGB.

The only trustee organization serving public and independent higher education, AGB is dedicated to cultivating voluntary trusteeship, a uniquely American institution that is the only viable alternative to direct governmental control found in most other nations. The association promotes effective working relationships between trustees and chief executives, provides information boards need to address the critical issues their institutions face, and works with boards to strengthen their performance.

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